

# HOUSE BILL REPORT

## ESHB 2299

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### As Passed Legislature

**Title:** An act relating to state general obligation bonds and related accounts.

**Brief Description:** Concerning general obligation bonds.

**Sponsors:** By House Committee on Capital Budget (originally sponsored by Representatives Dunshee and Jarrett; by request of Office of Financial Management).

#### **Brief History:**

##### **Committee Activity:**

Capital Budget: 4/13/05 [DPS].

##### **Floor Activity:**

Passed House: 4/22/05, 93-5.

Passed Senate: 4/24/05, 45-2.

Passed Legislature.

#### **Brief Summary of Engrossed Substitute Bill**

- Authorizes issuance of general obligation bonds to support appropriations in the 2005 Supplemental and 2005-07 Capital Budget.
- Eliminates the 30-day transfer requirement for posting bond principal and interest payments on certain bonds.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 27 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Jarrett, Ranking Minority Member; Hankins, Assistant Ranking Minority Member; Blake, Chase, Cox, DeBolt, Eickmeyer, Ericks, Ericksen, Flannigan, Green, Hasegawa, Kretz, Lantz, McCune, Moeller, Morrell, Newhouse, O'Brien, Roach, Schual-Berke, Serben, Springer, Strow and Upthegrove.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Holmquist and Kristiansen.

**Staff:** Susan Howson (786-7142).

#### **Background:**

The State of Washington periodically issues general obligation bonds to finance projects authorized in the capital and transportation budgets. General obligation bonds pledge the full faith and credit and taxing power of the state towards payment of debt service. Legislation authorizing the issuance of bonds requires a 60 percent majority vote in both the House of Representatives and the Senate.

Bond authorization legislation generally specifies the account or accounts into which bond sale proceeds are deposited, as well as the source of debt service payments. When debt service payments are due, the State Treasurer withdraws the amounts necessary to make the payments from the State General Fund and deposits them into the bond retirement funds.

The State Finance Committee, composed of the Governor, the Lieutenant Governor, and the State Treasurer, is responsible for supervising and controlling the issuance of all state bonds.

State and local governments are authorized to issue and sell several types of bonds according to a uniform procedure in state and federal law. These bonds include general obligation bonds, revenue bonds, and refunding bonds. General obligation bonds are a general obligation of the issuing entity. Revenue bonds are payable only from a designated revenue source or special assessment. Revenue bonds are not a general obligation debt of the issuing entity.

State and local governments are also authorized to issue refunding bonds to refinance high cost debt or to restructure debt.

All Capital Budget bond bills since 1996 have provided for "same day" transfers from the state general fund to a debt service fund. The debt service is paid from the debt service funds by automated clearing house (ACH) -- a central distribution and settlement system for electronic clearing of debits and credits between financial institutions -- to a fiscal agent who pays the bondholders.

Prior to the widespread use of computers and the ACH, debt service was transferred 30 days in advance of the payment date or some other specified interval. The State Treasurer estimates that as of October 31, 2004, approximately \$638 million of the \$9.7 billion in outstanding bonds require 30-day transfers.

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### **Summary of Engrossed Substitute Bill:**

The State Finance Committee is authorized to issue state general obligation bonds to finance \$1.3 billion in projects in the 2005 Supplemental and 2005-07 Capital Budget. This amount also includes \$30 million for a possible supplemental budget for emergency projects in 2006.

The State Treasurer is required to withdraw from state general revenues the amounts necessary to make the principal and interest payments on the bonds and to deposit these amounts into the Bond Retirement Account.

The 30-day transfer requirement is eliminated. Expenditures will be posted in the fiscal year in which the bond principal and interest payment is due.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** None.

**Testimony Against:** None.

**Persons Testifying:** None.

**Persons Signed In To Testify But Not Testifying:** None.